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ARIZONA CORPORATION COMMISSION

2009 JUN 22 P 2:57
June 22, 2009

AZ CORP COMMISSION
DOCKET CONTROL

Mr. Jay Shapiro
Fennemore Craig, P.C.
3003 North Central Avenue
Phoenix, Arizona 85012

RE: RIO RICO UTILITIES, INC. FOR A DETERMINATION OF THE FAIR VALUE OF ITS
UTILITY PLANTS AND PROPERTY AND FOR INCREASES IN ITS WATER AND
WASTEWATER AND CHARGES FOR UTILITY SERVICE THEREON, DOCKET
NO. WS-02676A-09-0257

LETTER OF DEFICIENCY

Dear Mr. Shapiro:

In reference to your rate application received on May 21, 2009, this letter is to inform you that your application has not met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103.

Staff has found several deficiencies with your application. These deficiencies are listed by division, except for the first item which relates to both. The 30-day sufficiency determination period will begin anew when the Company corrects the deficiencies and Docket Control receives an original and sixteen copies of the corrected pages.

The Staff person assigned to your application is Gerald Becker. He can be reached at (602) 542-0831, or toll free at (800) 222-7000, if you have any questions or concerns.

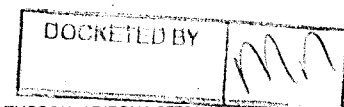
Sincerely,

Elijah O. Abinah
Assistant Director
Utilities Division

EOA:GWB:lhbm

cc: Docket Control Center
Lyn Farmer, Hearing Division
Delbert Smith, Engineering
Consumer Services

Arizona Corporation Commission
DOCKETED



Rio Rico Sufficiency Items

WS-02676A-09-0257

June 16, 2009

- 1) Common Equity under Projected Year 12/31/2009 of \$13,616,790 on Schedule A-3 does not match Projected Year of \$12,568,306 on Schedule D-1. Please correct or reconcile.

Water Division:

- 2) B-5 for Operation and Maintenance Expense and Pumping Power expenses cannot be supported by reference to E-1 as indicated. Please correct or reconcile.
- 3) Water schedule C-1, page 1, line 28, Income Tax amounts do not agree with respective amounts on supporting schedule, C-2, page 10, line 41 for Test Year Book Results, Test Year Adjusted Results, and Adjusted with Rate Increase amounts. Please correct or reconcile. Similar concern on Sewer schedules
- 4) See Schedule B-2, Page 10, Line 45 is described as "Income Tax at Proposed Rates Effective Rate". On the Water schedule, this amount of (\$134,909) does not agree to any of the calculated amounts on Line 41, Total Income Tax corresponding to the amounts of (\$21,616), (\$73,128), or \$659.114 for the "Test Year Book Results", "Test Year Adjusted Results", or "Adjusted with Rate Increase" amounts, respectively. Please explain/ correct as necessary. Please explain/ correct, as necessary, and make conforming changes on respective C-1 and other schedules.
- 5) Water H-3 Fire Lines rates indicate dollar value changes but 0.00% change for each. Please correct.

Wastewater Division:

- 6) B-5 for Operation and Maintenance Expense cannot be supported by reference to E-1 as indicated. Please correct or reconcile.
- 7) The amount of \$308,456 on line 45 does agree to the calculated amount on Line 41, Total Income Tax amount corresponding to "Test Year Adjusted Results". For the Wastewater schedule, please explain the reasons that the same amount is described on line 45 as the amounts for "Income Tax at Proposed Rates Effective Rate", yet it is described on line 41 as corresponding to "Test Year Adjusted Results". Please explain/ correct, as necessary, and make conforming changes on respective C-1 and other schedules.
- 8) Wastewater Schedule A-5. Wastewater systems do not have meters. Please explain or correct item labeled "Customer Meter Deposits".
- 9) Wastewater Schedule B-2, Page 1, CIAC amount is opposite the amount shown Schedule B-2, Page 6. Please correct and make conforming changes as necessary. Also, there appears to be an error whereby AIAC and CIAC amounts results in opposite effects on the rate base calculation on Schedule B-2, Page 1.
- 10) Wastewater Schedule B-2, page 3.1 – 3.8. Please explain the methodology for calculating depreciation expense. i.e. acct 364, Flow Measuring Devices, 2004 Depreciation Expense of \$2,262 on Plant of \$36,057, or 6.27 percent which is not shown as the depreciation rate for this account. Please correct as necessary with conforming changes on other schedules.